



Volume XXII

OCTOBER 30
1953

Number 49

As I see

THE POLITICAL OUTLOOK

THE recent election in Wisconsin, rightly or wrongly, is being interpreted by politicians as an indication that the Republican Party has lost the hold which it had last November on farmers and labor. Many Republican politicians are frantically seeking policy changes which will restore their popularity with the voters. The attitude of many of these politicians at the present time reminds me of the man running for Congress who made an earnest and impassioned speech which ended: "Now this is what I believe; and if you don't like it - - I'll change it."

Many of us voted for the Eisenhower Administration a year ago in high hopes that we were electing men who, if elected, would attempt to return our economy to a sound basis. We hoped that each issue would be decided on the basis "Is it right for America?" rather than on the basis "Will it get votes for the Republican Party?" To me, it is far more important that the leaders of the Republican Party maintain their moral and intellectual integrity than it is that the Republicans win the next election. Insofar as I am concerned, I would far rather see the election lost, with a clear and definite statement of the fundamental principles involved, than to see it won by compromises which will eventually land us in difficulties far greater than the ones we are trying to escape.

I am not certain, however, that our moral fiber has so disintegrated that the election would be lost by putting honesty above politics. Of course, the politicians of both parties would be displeased, but the novelty might appeal to the public.

It seems to me that there are certain fundamental issues which deserve an honest answer. One of these issues at the present time is whether agricultural prices are to be maintained as a permanent policy above the market level for these products. Apparently the only way this can be done is for the Government to buy what the consumer cannot or will not buy at the artificial price; but, of course, the Government has no funds other than the funds which it takes away from the people. Therefore, this policy boils down to forcing the consumer to pay in taxes to keep the prices of the things he needs above the level at which he is willing to buy the amount necessary to clear the shelves. Consumption shrinks, we lose our foreign markets, surpluses of Government-owned commodities increase, and taxes and Government debt go up.

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In my opinion, the whipping boy of the Republican Party is fast becoming Ezra Benson, a man who has had the insight and the intellectual honesty to point out in considerable detail the fallacies of the course we are pursuing. He is being particularly criticized in farm circles for having said that he believes supports should be used as disaster insurance rather than to maintain market prices in a more or less balanced economy. This is plain common sense, but the farmer, long praised for his rugged individualism, has succumbed to the lure of Government subsidies paid at the expense of other taxpayers. During a considerable period of years he has learned to depend on the amounts which have been doled out, until he now believes that his income should be supplemented by forced contributions from the nonfarm population of the United States.

The recent drop in cattle prices is bringing a demand for Government support of cattle prices. The Wall Street Journal, in its issue of October 27, estimates that to maintain beef prices at 90% of parity, it would be necessary for the Federal Government to purchase and remove from consumer channels in the next year 1.4 billion pounds of beef. That would be enough to feed the entire United States for a month, but it could not be used for this purpose, as if it were, it would reduce the ordinary demand by that amount and the surplus would still exist. It cannot be frozen, as it would require more than twice the amount of freezer space available in the United States. It could be canned, but it is enough to meet the present consumption of all kinds of canned meat for the next 6 months, and, again, unless it were kept off the market after it were canned, it would increase the surplus by 1.4 billion pounds. As the Wall Street Journal pointed out, in quoting a top beef official of one big packing concern: "There is only one way to get rid of meat - keep the price down so it will get eaten."

It has been suggested that the Government buy meat and give it to the schools. If put into the school lunch program, it would supply 149 pounds of meat per pupil, or twice as much beef as the average United States citizen will eat this year. One meat packer is quoted as saying quite picturesquely: "The little kids' tummies would just bust."

Of course, the greatest difficulty in supporting the price of beef is that the present surplus of 1.4 billion pounds would increase, as at the supported price it would be profitable to raise additional beef for sale.

For many years I have maintained that there is only one cure for low prices and only one cure for high prices. The only cure for low prices is low prices, because when prices are low, production is restricted, surpluses are worked off, shortages develop, and prices rise. On the other hand, when demand exceeds supply and prices rise, the high prices which develop increase production, increased production builds surpluses, and surpluses cause prices to drop. Just so soon as the Federal Government attempts to use the taxpayers' money to support a price at a level higher than the taxpayer himself is willing to pay for the article, production increases, the surpluses which caused the original difficulty increase, and "the last state . . . is worse than the first."

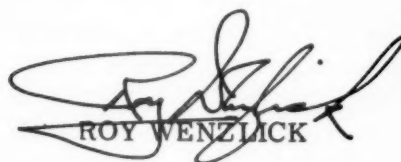
When the average American citizen is so debauched by Government handouts that he insists on their being continued although he is unwilling or unable to pay the taxes necessary to continue the handout program, it becomes necessary for the Federal Government to get the needed funds by inflating the currency. This creates no new wealth but merely dilutes the existing wealth into a larger number of smaller units. When once started, as we started 20 years ago, it becomes quite difficult to stop. For a while it creates the illusion of prosperity. No inflation in any country at any time in the past was originally recognized as the destructive agent which it later turned out to be. Later on, however, its evils become apparent, and practically all classes of the population are alarmed and insist that utmost economy be practiced by the Government in all fields other than the field from which they themselves profit.

The present administration started with a hard money policy, which, in plain English, is merely an honest money policy - in other words, a policy in which the Government would not spend any money which the citizens of the United States were not willing to contribute through their taxes. So much pressure, however, has been put upon the present administration that we are again starting to follow many of the inflationary policies which have gotten us into our present situation. Rising interest rates would curb the inflation, and were starting to have that effect, but the yelps of those who were profiting from the easy money policy became so loud and so insistent that the Government is again following many of the policies which were prevalent during the past 20 years. If a corporation "rigged" the market for its securities in the same way that the Federal Government does the market for Government bonds, its officers would no longer have to worry about the high cost of living, as they would be housed for a considerable period at Government expense.

I am not implying that the administration has any "easy out" of the present economic mess. I realize, of course, that no matter where we want to go, we have to start from where we happen to be. It is impossible to make the transition in a single step, as we have developed a considerable momentum down the wide and easy road "that leadeth to destruction." Thomas Jefferson once quoted the ancient Greek Solon's advice that "no more good must be attempted than the nation can bear." It may be that during the transition period subsidies of various kinds will have to be continued, but if such be the case, every possible effort should be made to taper them off, and in place of being considered a solution to our problem, they should always be recognized as the thing of evil which they actually are. Unless we are constantly reminded of this from official channels, we come to accept distress protection as a vested interest. The attempt on the part of the Government to soften a transition period becomes a vested and continuing right of one class of citizens to a compulsory contribution from the earnings of another group.

I have no question in my own mind that the present administration has been

attempting to apply the brakes slowly, as we have careened wildly down the inflationary slope, and with this I am in thorough accord. The thing I am starting to worry about is that recent comments, both from the public and from the administration, indicate that we all are starting to enjoy the ride.



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